

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 PA-01 PRS-01 USIA-06 AGR-05 OES-03 INT-05 /089 W
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R 151747Z JAN 75

FM AMEMBASSY PANAMA

TO SECSTATE WASHDC 2768

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

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EO 11652: N/A

TAGS: ECON, PFOR, PN

SUBJ: FURTHER ECONOMIC MEASURES ANNOUNCED

REF: PANAMA 7362

1. SUMMARY: THREE DRAFT LAWS FOR IMPLEMENTATION OF GOP'S ECONOMIC GAME-PLAN, THE DECLARATION OF BOQUETE, WERE ANNOUNCED JANUARY 13. MEASURES DEAL WITH EXPORT PROMOTION THROUGH TAX CREDITS, INVESTMENT INCENTIVES, AND RESTRICTIONS ON INSTALLMENT CREDIT. END SUMMARY.

2. VICE PRESIDENT SUCRE, CHIEF OF GOP'S HIGH LEVEL ECONOMIC COMMISSION, HAS MADE PUBLIC GOVERNMENT'S LATEST MEASURES FOR IMPLEMENTING CURRENT ANTI-INFLATION, ECONOMIC-STIMULATION PROGRAM. EXPORT DRIVE REFERRED TO IN EARLIER ANNOUNCEMENT (REFTEL) WILL BE SUPPORTED BY TAX CREDIT OF 20 PERCENT OF VALUE ADDED FOR NON-TRADITIONAL EXPORTS, SUBJECT TO THE REQUIREMENT THAT LOCAL CON-
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TENT BE A MINIMUM OF 20 PERCENT OF TOTAL VALUE OF PRODUCT (10 PERCENT IF PRODUCED OUTSIDE METROPOLITAN AREA). EXPORTS

SPECIFICALLY EXCLUDED FROM PROVISIONS INCLUDE SUGAR, BANANAS, COFFEE, SHRIMP, MEAT, PETROLEUM PRODUCTS, AND SALES FROM COLON FREE ZONE. MINISTERIAL-LEVEL TECHNICAL COMMISSION FOR EXPORT INCENTIVES WILL BE APPOINTED TO DEVELOP ADDITIONAL MEASURES.

3. SECOND DRAFT LAW IS DESIGNED TO INCREASE INDUSTRIAL AND AGRICULTURAL PRODUCTION THROUGH ADDITIONAL INVESTMENT INCENTIVES AND INDUCEMENT FOR EMPLOYMENT OF ADDITIONAL WORKERS. FIXED ASSETS ACQUIRED IN 1975 WILL BE ALLOWED DOUBLE NORMAL DEPRECIATION ALLOWANCE, AND INVESTORS MAY DEDUCT UP TO 25 PERCENT OF 1975 INVESTMENTS FROM INCOME TAX. MEASURE INCLUDES TAX INCENTIVE FOR REINVESTMENT OF UNDISTRIBUTED PROFITS FROM PAST YEARS. FROM 10 TO 50 PERCENT OF INCREASE IN WAGE BILL OVER PREVIOUS YEAR DUE TO INCREASE IN EMPLOYMENT CAN BE DEDUCTED FROM TAXABLE INCOME.

4. THIRD DRAFT LAW WILL PERMIT GOP TO RESTRICT SOMEWHAT INSTALLMENT CREDIT FOR IMPORTED GOODS, BY DETERMINING PERIODICALLY WHICH IMPORTED PRODUCTS WILL REQUIRE DOWN PAYMENT AND IN WHAT AMOUNT. SAME RESTRICTION CAN ALSO APPLY TO CREDIT FOR AIR FLIGHT TICKETS. MEASURE ALSO CONTAINS VARIOUS CONSUMER PROTECTION, WARRANTY ENFORCEMENT, TRUTH-IN-LENDING, AND TRUTH-IN-ADVERTISING PROVISIONS.

COMMENT: MINISTRY OF COMMERCE IS EXPECTED TO ISSUE SHORTLY LIST OF IMPORTS ON WHICH CREDIT RESTRICTIONS WILL APPLY, TO INCLUDE ITEMS SUCH AS COLOR TV SETS. BANCO NACIONAL OFFICIAL INFORMED EMBOFF THAT GOVERNMENT IS HOLDING BACK ON BROADER IMPORT RESTRICTIONS FOR FEAR OF RETALIATION FROM TRADING PARTNERS, ALTHOUGH RESTRICTIONS ON IMPORTATION OF RUGS AND, MOST RECENTLY, SHOES HAVE BEEN ANNOUNCED. LATTER CURB HAS RESULTED IN PROTEST FROM PANAMA CHAMBER OF COMMERCE.

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